

Message Text

CONFIDENTIAL

PAGE 01 VALLET 01052 190834Z

12

ACTION EUR-25

INFO OCT-01 NEA-14 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 SAM-01 SAJ-01 IO-14 AID-20 TRSE-00

ACDA-19 DRC-01 AF-10 EB-11 COME-00 INT-08 FEA-02

SIL-01 LAB-06 /208 W

----- 074469

R 181500Z JUN 74

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 5606

INFO AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TRIPOLI

USMISSION NATO

C O N F I D E N T I A L VALLETTA 1052

E.O. 11652: GDS

TAGS: PFOR, MT

SUBJ: MALTA: QUARTERLY POLITICO/ECONOMIC REPORT

REF: VALLETTA 0551

1. SUMMARY: THERE HAVE BEEN NO BASIC CHANGES IN THE POLITICO/ECOMIC SITUATION IN MALTA SINCE OUR LAST REPORT (REFTEL) WHICH STANDS AS OUR BEST JUDGEMENT OF THE CURRENT SITUATION IN TERMS OF U.S. POLICY INTERESTS AND OBJECTIVES. THE FOLLOWING ARE HIGHLIGHTS OF THIS QUARTER WHICH COLOR BUT DO NOT BASICALLY CHANGE THAT ASSESSMENT. END SUMMARY

2. BASE AGREEMENT AND RELATIONS WITH BRITAIN. MINTOFF'S TRIP TO THE UK, MEETING WITH WILSON AND OTHER OFFICIALS, HIS AGREEMENT TO RESUME EXCHEQUER LOAN PAYMENTS, AND TO ACCEPT THE UK ONE MILLION POUND ECONOMIC ASSISTANCE OFFER, AND HIS WARM STATEMENTS ON GOM/HMG RELATIONS ON HIS RETURN APPEARED, AT
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 VALLET 01052 190834Z

LEAST FOR THE PRESENT, TO HAVE REMOVED ANY MAJOR DIFFICULTIES

ASSOCIATED WITH THE BASE AGREEMENT. SUBSEQUENTLY, HOWEVER, HE BECAME CONCERNED WITH POSSIBLE ADVERSE EFFECTS ON MALTA OF THE BRITISH DEFENSE REVIEW. LOAN PAYMENTS HAVE NOT BEEN MADE AND THE ASSISTANCE OFFER NOT IMPLEMENTED. THE SITUATION MAY REMAIN IN LIMBO UNTIL THE REVIEW IS COMPLETED.

3. RELATIONS WITH LIBYA. WE SUSPECT THAT MALTA'S RELATIONS WITH LIBYA HAVE DETERIORATED BEYOND THE COOLNESS NOTED IN OUR LAST REPORT. MINTOFF'S DECISION TO PROCEED IN GRANTING EXPLORATION RIGHTS TO TEXACO, PRESUMABLY, WAS TAKEN IN THE ABSENCE OF ANY SETTLEMENT WITH LIBYA ON THE MEDIAN LINE QUESTION. IF THIS AGREEMENT, AS SEEM LIKELY, IS FOLLOWED BY AGREEMENTS WITH OTHER OIL COMPANIES COVERING RIGHTS IN WATERS CLAIMED BY LIBYA, RELATIONS COULD DETERIORATE FURTHER. WE HAVE NOT LEARNED OF ANY CONCRETE RESULTS FROM MINTOFF'S VISIT TO THE MIDDLE EAST DURING THE QUARTER, BUT IT IS GENERALLY BELIEVED THAT A MAJOR PURPOSE OF THE TRIP WAS TO OBTAIN CRUDE AT LOWER PRICE THAN FROM LIBYA. AT PRESENT ANOTHER DEAL LED BY LABORMIN CASSAR IS MAKING A FOLLOW-UP VISIT TO THE ARABS.

4. PUBLIC ACTIVITIES. DESPITE ANOTHER FLURRY OF POLITICAL DEBATES AND PARTY RALLIES DURING THE QUARTER, THE POLITICAL SITUATION REMAINS UNCHANGED EXCEPT FOR THE NATIONALIST DECISION TO JOIN WITH LABOR IN SECRET DISCUSSIONS ON CHANGES IN THE CONSTITUTION. THE GOVERNOR GENERAL IS PARTICIPATING AS WELL. THE NATIONALIST DECISION IS THEIR FIRST DEPARTURE FROM A POLICY OF TOTAL OPPOSITION REGARDLESS OF THE POINT IN QUESTION, AND REFLECTS THEIR VIEW THAT THEIR COOPERATION (AND THAT OF GOVGEN) WILL HAVE A MODERATING INFLUENCE. WE UNDERSTAND THAT THE CONSTITUTIONAL COURT VICE PRESIDENT AND VOTE-AT-18 ISSUE HAVE BEEN SET ASIDE AS POINTS ON WHICH BOTH SIDES AGREE. ONE NATIONALIST PARTICIPANT TOLD US THAT HE EXPECTED LABOR TO PROPOSE THAT CERTAIN CATHOLIC CHURCH RIGHTS BE MODIFIED, E.G. TO PERMIT CIVIL MARRIAGES, WHICH HE COULD SUPPORT. UNLESS THE MLP SIDE ATTEMPTS TO GO TOO FAR VIS-A-VIS THE CHURCH, OR TO ALTER THE ELECTORAL SYSTEM GROSSLY IN FAVOR OF THEMSELVES, NATIONALIST COOPERATION IS LIKELY TO CONTINUE.

5. ECONOMIC: THE IMPROVEMENTS IN THE ECONOMIC SITUATION NOTED IN OUR LAST REPORT CONTINUED THROUGH THE QUARTER.
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 VALLET 01052 190834Z

INCREASED FUEL COSTS AND PRICES OF OTHER ESSENTIALS IMPORTS ARE HAVING AN ADVERSE IMPACT ON MALTA'S BALANCE OF PAYMENTS, INCREASED COSTS OF GOM SUBSIDIES, AND HAVE ADDED TO INFLATIONARY PRESSURES. ALTHOUGH MALTA APPEARS TO BE SUFFERING LESS THAN MANY NEIGHBORING COUNTRIES FROM INTERNATIONAL ECONOMIC DEVELOPMENTS, UNEMPLOYMENT REMAINS A PROBLEM, AND A SERIOUS WATER SHORTAGE MAY SOON CREATE ADDITIONAL DIFFICULTIES FOR GOM. THE TEXACO OIL EXPLORATION AGREEMENT, WHICH, INTER

ALIA, PROVIDES FOR A TEN MILLION DOLLAR INITIAL PAYMENT AND SUBSTANTIAL INVESTMENT IN INDUSTRY, WAS THE MAJOR ECONOMIC EVENT DURING THE QUARTER. THE AGREEMENT RECEIVED POSITIVE ATTENTION FROM ANTI AND PRO-GOM PAPERS, RAISED HOPES FOR THE EVENTUAL DISCOVERY OF SIGNIFICANT OIL RESERVES OFF MALTA, AND FOR THE CONCLUSION OF SIMILAR AGREEMENTS WITH OTHER INTERNATIONAL OIL COMPANIES. EVEN IF OIL IS NOT DISCOVERED, THE AGREEMENT WILL HAVE A SIGNIFICANT IMPACT ON THIS SMALL ECONOMY.

6. BILATERAL RELATIONS. BILATERAL US/MALTA RELATIONS RAN SMOOTHLY DURING THIS QUARTER. THE ARRIVAL OF THE SECOND CONSIGNMENT OF EXCESS EQUIPMENT (ABOARD AN ITALIAN NAVAL TRANSPORT) RECEIVED BROAD FAVORABLE PUBLICITY AND PUBLIC AND PRIVATE EXPRESSIONS OF APPRECIATION BY GOM OFFICIALS. GETZ

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, QUARTERLY REPORTS, POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Draft Date: 18 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: WorrelSW
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974VALLET01052
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740159-0872
From: VALLETTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740634/aaaabcvs.tel
Line Count: 130
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: VALLETTA 0551
Review Action: RELEASED, APPROVED
Review Authority: WorrelSW
Review Comment: n/a
Review Content Flags:
Review Date: 22 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 MAY 2002 by boyleja>; APPROVED <18 MAR 2003 by WorrelSW>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MALTA: QUARTERLY POLITICO/ECONOMIC REPORT
TAGS: PFOR, MT, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005